

VILLAGE OF BUCKLEY  
BUCKLEY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Buckley</b>	County <b>Wexford</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>8/26/05</b>	Date Accountant Report Submitted to State: <b>8/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

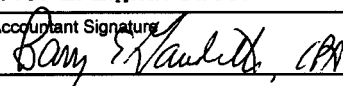
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Barry E. Gaudette, CPA, PC</b>			
Street Address <b>1107 E. Eighth Street</b>	City <b>Traverse City</b>	State <b>MI</b>	ZIP <b>49686</b>
Accountant Signature 		Date <b>8/29/05</b>	

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INTRODUCTORY SECTION

Village of Buckley  
List of Elected Officials and Village Officers  
February 28, 2005

Dennis Kuhn	President
Larry Cade	Vice President /Trustee
Dennis Kuhn II	Clerk
Jacqueline Cade	Treasurer
Lex Armour	Trustee
Verneta Hartzell	Trustee
Wayne Kellogg	Trustee
Mary Jo Lance	Trustee
Kevin Krause	Trustee

FINANCIAL SECTION

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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## INDEPENDENT AUDITORS' REPORT

Members of the Village Council  
Village of Buckley  
Buckley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Buckley, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Buckley, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Buckley, Michigan, as of February 28, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village of Buckley  
Independent Auditors' Report  
Page Two

As described in Note IV, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of February 28, 2005.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Bary E. Staulett, CPA, PC*

August 26, 2005



BASIC FINANCIAL STATEMENTS

Village of Buckley  
Statement of Net Assets  
February 28, 2005

	Governmental Activities	Business -Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 60,349	\$ 6,758	\$ 67,107
Receivables, net	42,634	1,760	44,394
Restricted cash	16,465	11,100	27,565
Prepaid expenses		3,460	3,460
Due from other funds	7,500	11,500	19,000
Capital assets (net of accumulated depreciation):			
Land and improvements	240,127	800	240,927
Buildings & improvements	348,899		348,899
Machinery and equipment	51,990		51,990
Fire trucks	77,812		77,812
Water system		326,539	326,539
Total assets	<u>845,776</u>	<u>361,917</u>	<u>1,207,693</u>
<b>LIABILITIES</b>			
Accounts payable	12,554		12,554
Accrued interest		2,453	2,453
Due to other funds	19,000		19,000
Noncurrent liabilities:			
Due within one year	5,000	6,000	11,000
Due in more than one year	<u>185,000</u>	<u>97,281</u>	<u>282,281</u>
Total liabilities	<u>221,554</u>	<u>105,734</u>	<u>327,288</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	718,828	327,339	1,046,167
Restricted for:			
Fire equipment	16,465		16,465
Debt service		11,100	11,100
Unrestricted	<u>( 111,071)</u>	<u>( 82,256)</u>	<u>( 193,327)</u>
Total net assets	<u>\$ 624,222</u>	<u>\$ 256,183</u>	<u>\$ 880,405</u>

See notes to financial statements

Village of Buckley  
Statement of Activities  
For the Year Ended February 28, 2005

Functions /Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 20,754	\$	\$	\$
General				
Government	28,512		1,620	
Public safety	62,907		15,925	1,438
Public works	173,363		24,655	
Community/ economic development	3,310			
Recreation & culture	1,968			
Interest expense	<u>15,056</u>			
Total governmental activities	305,870		42,200	1,438
Business-type activities:				
Water	<u>84,847</u>	<u>52,201</u>		
Total	<u>\$ 390,717</u>	<u>\$ 52,201</u>	<u>\$ 42,200</u>	<u>\$ 1,438</u>

General revenues:

Property taxes & administrative fees  
Licenses & fees  
State aid  
Interest earnings  
Rentals

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ ( 20,754)	\$	\$ ( 20,754)
( 26,892)		( 26,892)
( 45,544)		( 45,544)
( 148,708)		( 148,708)
( 3,310)		( 3,310)
( 1,968)		( 1,968)
<u>( 15,056)</u>	<u></u>	<u>( 15,056)</u>
( 262,232)		( 262,232)
<u></u>	<u>( 32,646)</u>	<u>( 32,646)</u>
<u>( 262,232)</u>	<u>( 32,646)</u>	<u>( 294,878)</u>
91,695		91,695
1,584		1,584
110,942		110,942
559	435	994
<u>22,683</u>	<u>18,100</u>	<u>40,783</u>
<u>227,463</u>	<u>18,535</u>	<u>245,998</u>
( 34,769)	( 14,111)	( 48,880)
<u>658,991</u>	<u>270,294</u>	<u>929,285</u>
<u>\$ 624,222</u>	<u>\$ 256,183</u>	<u>\$ 880,405</u>

Village of Buckley  
Balance Sheet  
Governmental Funds  
February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 41,139	\$ 11,777	\$ 7,433	\$ 60,349
Cash-reserved	16,465			16,465
Taxes receivable	16,545			16,545
Due from state	15,504	7,541	3,044	26,089
Due from other funds		7,500		7,500
Total assets	<u>\$ 89,653</u>	<u>\$ 26,818</u>	<u>\$ 10,477</u>	<u>\$ 126,948</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 12,554	\$	\$	\$ 12,554
Due to other funds	11,500		7,500	19,000
Total liabilities	<u>24,054</u>		<u>7,500</u>	<u>31,554</u>
Fund balances:				
Reserved	16,465			16,465
Unreserved, reported in:				
General fund	49,134			49,134
Major street fund		26,818		26,818
Local street fund			2,977	2,977
Total fund balances	<u>65,599</u>	<u>26,818</u>	<u>2,977</u>	<u>95,394</u>
Total liabilities and fund balances	<u>\$ 89,653</u>	<u>\$ 26,818</u>	<u>\$ 10,477</u>	<u>\$ 126,948</u>

See notes to financial statements

Village of Buckley  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
February 28, 2005

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 95,394
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Capital assets used in governmental  
activities are not financial resources  
and therefore are not reported as assets  
in governmental funds:

Cost of capital assets	1,015,863
Accumulated depreciation	( 297,035)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>( 190,000)</u>
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Total Net Assets - Governmental Activities	<u>\$ 624,222</u>
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See notes to financial statements

**Village of Buckley**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance**  
**Governmental Funds**  
**For the Year Ended February 28, 2005**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes & adm. fees	\$ 91,695	\$	\$	\$ 91,695
Licenses & fees	1,584			1,584
State aid	50,809	43,881	17,690	112,380
Contributions from local units	15,925			15,925
Interest earnings	385	138	36	559
Equipment rents	22,683			22,683
Reimbursements	<u>26,275</u>			<u>26,275</u>
Total revenues	<u>209,356</u>	<u>44,019</u>	<u>17,726</u>	<u>271,101</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	20,754			20,754
General government	28,512			28,512
Public safety	46,551			46,551
Public works	75,691	50,373	33,163	159,227
Community/economic development	3,310			3,310
Recreation & culture	1,968			1,968
Debt payments:				
Principal	10,000			10,000
Interest	15,056			15,056
Capital outlay	<u>38,700</u>			<u>38,700</u>
Total expenditures	<u>240,542</u>	<u>50,373</u>	<u>33,163</u>	<u>324,078</u>
Excess(deficiency) of revenues over(under) expenditures	( 31,186)	( 6,354)	(15,437)	( 52,977)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in(out)		( 7,500)	7,500	
Net changes in fund balances	( 31,186)	(13,854)	( 7,937)	( 52,977)
Prior period adjustments		340	301	641
Fund balances - beginning	<u>96,785</u>	<u>40,332</u>	<u>10,613</u>	<u>147,730</u>
Fund balances - ending	<u>\$ 65,599</u>	<u>\$ 26,818</u>	<u>\$ 2,977</u>	<u>\$ 95,394</u>

See notes to financial statements

Village of Buckley  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended February 28, 2005

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances -  
total governmental funds \$( 52,977)

Governmental funds report capital outlays  
as expenditures. However, in the statement  
of activities the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense. This  
is the amount by which capital outlays  
exceeded depreciation in the current period.

Capital outlays	38,700
Depreciation	( 30,492)

The issuance of long-term debt provides  
current financial resources to governmental  
funds, while the repayment of the principal  
of long-term debt consumes the current  
financial resources of governmental funds.  
Neither transaction, however, has any effect  
on net assets. This amount is the net effect  
of these differences in the treatment of long-  
term debt and related items.

10,000

Change in net assets of governmental activities \$( 34,769)

See notes to financial statements



Village of Buckley  
Statement of Net Assets  
Proprietary Funds  
February 28, 2005

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Current Year</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 28,007	\$ 6,758
Receivables, net	3,754	1,760
Prepaid insurance	3,091	3,460
Due from other funds		11,500
Total current assets	<u>34,852</u>	<u>23,478</u>
Noncurrent assets:		
Restricted cash and cash equivalents	10,743	11,100
Capital assets:		
Land	800	800
Buildings & improvements	83,440	83,440
Vehicles	5,371	5,371
Water distribution system	650,422	670,718
Meters	26,581	26,581
Less accumulated depreciation	( 428,939)	( 459,571)
Total noncurrent assets	<u>348,418</u>	<u>338,439</u>
Total assets	<u>383,270</u>	<u>361,917</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accrued interest	2,595	2,453
Due to other funds	1,100	
Current portion of revenue bonds	<u>6,000</u>	<u>6,000</u>
Total current liabilities	9,695	8,453
Noncurrent liabilities:		
Bonds payable	<u>103,281</u>	<u>97,281</u>
Total liabilities	<u>112,976</u>	<u>105,734</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	337,675	327,339
Restricted for debt service	10,743	11,100
Unrestricted	<u>( 78,124)</u>	<u>( 82,256)</u>
Total net assets	<u>\$ 270,294</u>	<u>\$ 256,183</u>

See notes to financial statements

Village of Buckley  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended February 28, 2005

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Water Year</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Operating revenues:		
Charges for services	\$ 49,762	\$ 52,201
Rents	<u>16,100</u>	<u>18,100</u>
Total operating revenues	<u>65,862</u>	<u>70,301</u>
Operating expenses:		
Depreciation	30,633	30,633
Wages	23,244	27,232
Repairs, maintenance & supplies	12,948	5,607
Insurance	7,836	8,918
Utilities	<u>5,350</u>	<u>5,027</u>
Total operating expenses	<u>80,011</u>	<u>77,417</u>
Operating income(loss)	<u>( 14,149)</u>	<u>( 7,116)</u>
Nonoperating revenue(expenses):		
Investment earnings	572	435
Interest expense	<u>( 7,858)</u>	<u>( 7,430)</u>
Total nonoperating revenue(expenses)	<u>( 7,286)</u>	<u>( 6,995)</u>
Change in net assets	<u>( 21,435)</u>	<u>( 14,111)</u>
Total net assets-beginning	<u>291,729</u>	<u>270,294</u>
Total net assets-ending	<u>\$ 270,294</u>	<u>\$ 256,183</u>

See notes to financial statements

Village of Buckley  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2005

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Water Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 64,921	\$ 72,295
Payments to suppliers	( 22,423)	( 19,922)
Payments to employees	( 27,232)	( 27,232)
Net cash provided by operating activities	<u>15,266</u>	<u>25,141</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	<u>1,100</u>	<u>( 12,600)</u>
Net cash provided (used) by noncapital financing activities	<u>1,100</u>	<u>( 12,600)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of meters & connections	( 23,710)	( 20,296)
Purchase of buildings & grounds	( 4,700)	
Interest expense	( 8,000)	( 7,572)
Payment of principal on long-term debt	( 6,000)	( 6,000)
Net cash (used) by capital and related financing activities	<u>( 42,410)</u>	<u>( 33,868)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Restricted cash	9,855	( 357)
Interest received	<u>572</u>	<u>435</u>
Net cash provided by investing activities	<u>10,427</u>	<u>78</u>

Village of Buckley  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2005  
(Continued)

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Water Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Net increase (decrease) in cash and cash equivalents	( 15,617)	( 21,249)
Cash and cash equivalents, beginning	<u>43,624</u>	<u>28,007</u>
Cash and cash equivalents, ending	<u>\$ 28,007</u>	<u>\$ 6,758</u>

Village of Buckley  
Statement of Cash Flows  
Proprietary funds  
For the Year Ended February 28, 2005  
(Continued)

		Business-type Activities - Enterprise Funds	
		Water Fund	
		<u>Prior Year</u>	<u>Current Year</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income(loss)		\$ ( 14,149)	\$ ( 7,116)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:			
Depreciation expense	30,633		30,633
(Increase) decrease in accounts receivable	( 941)		1,994
(Increase) decrease in prepaid insurance	( 277)		( 370)
Total adjustments	<u>29,415</u>	<u>32,257</u>	
Net cash provided (used) by operating activities		<u>\$ 15,266</u>	<u>\$ 25,141</u>

See notes to financial statements

**Village of Buckley  
Notes to the Financial Statements  
February 28, 2005**

**I. Summary of significant accounting policies**

The financial statements of the Village of Buckley (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

**A. Reporting entity**

The Village is governed by an elected five-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Village does not have any fiduciary funds.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Wexford County, which advances the Village 100% for the delinquent taxes.

The 2004 real property taxable valuation of the Village totaled \$9,477,721, on which ad valorem taxes levied consisted of 9.2070 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue. There has not been an administrative fee in the past, but 1% will be charged for future years.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *water fund* accounts for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing water service to the general public on a continuing basis be financed or recovered primarily through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the general fund, and other charges between the government's water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent water bills on the tax rolls on an annual basis.

### **3. Inventories and prepaid items**

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Restricted assets**

Certain proceeds of the Village's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Village has two accounts at Honor State Bank in a certificate of deposit valued at \$8,221 and a checking account (NOW account) with a balance of \$2,879 as of February 28, 2005. These monies are reserved in the Water Fund for payment of future debt payments.

The General Fund has a certificate of deposit of \$9,520 and a savings account of \$6,945 reserved for the purchase of a fire truck in the future.

### **5. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	10
Water system	25
Park & recreation improvements	20
Fire hall & improvements	40

Fire vehicles	20
DPW vehicles & equipment	10

#### **6. *Compensated absences***

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end.

#### **7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### **8. *Fund equity***

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **9. *Comparative data/reclassifications***

Comparative total data for the prior year have been presented for the individual enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## **II. *Stewardship, compliance, and accountability***

### **A. *Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined

statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

**B. Excess of expenditures over appropriations**

For the year ended February 28, 2005, expenditures exceeded appropriations in the following activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Community/economic development:			
Planning commission	\$ 2,500	\$ 3,310	\$ ( 810)
Debt payments	12,000	25,056	(13,056)
Capital outlay	5,000	38,700	(33,700)

These overexpenditures were funded by available fund balances, respectively.

### III. Detailed notes on all funds

#### A. Deposits and investments

At year-end, the carrying amount of the Village's deposits were \$94,672 and the bank balance was \$98,574, of which \$98,574 was covered by federal depository insurance.

#### B. Receivables

Receivables as of year end for the government's individual major funds consist of \$15,504, \$7,541 and \$3,044, respectively in the general fund, major street and local street funds. These receivables represent monies owed from the State of Michigan for state revenue sharing, and Act 51 monies, and local road plan costs. The receivables in the enterprise funds consist of accounts receivable from customers of \$1,760.

#### C. Capital assets

Capital asset activity for the year ended February 28, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 240,127	\$	\$	\$ 240,127
Total capital assets, not being depreciated	<u>240,127</u>			<u>240,127</u>
Capital assets, being depreciated:				
Buildings & improvements	465,000	13,076		478,076
Parks & recreation	26,600			26,600
Fire trucks	169,920	1,419		171,339
DPW machinery & equipment	75,516	21,125		96,641
Fire equipment		<u>3,080</u>		<u>3,080</u>
Total capital assets being depreciated	<u>737,036</u>	<u>38,700</u>		<u>775,736</u>
Less accumulated depreciation for:				
Buildings & improvements	(117,225)	( 11,952)		(129,177)
Parks & recreation	( 26,600)			( 26,600)
Fire trucks	( 84,960)	( 8,567)		( 93,527)

	Beginning Balance	Increases	Decreases	Ending Balance
DPW machinery & equipment	( 37,758)	( 9,665)		( 47,423)
Fire equipment		( 308)		( 308)
Total accumulated depreciation	<u>(266,543)</u>	<u>( 30,492)</u>		<u>(297,035)</u>
Total capital assets, being depreciated, net	<u>470,493</u>	<u>8,208</u>		<u>478,701</u>
Governmental activities capital assets, net	<u>\$ 710,620</u>	<u>\$ 8,208</u>	<u>\$</u>	<u>\$ 718,828</u>
<b>Business-type activities (Enterprise Funds)</b>				
Capital assets, not being depreciated:				
Land	<u>\$ 800</u>	<u>\$</u>	<u>\$</u>	<u>\$ 800</u>
Capital assets, being depreciated:				
Buildings & improvements	83,440			83,440
Vehicles	5,371			5,371
Water distribution system	650,422	20,296		670,718
Meters & connections	<u>26,581</u>			<u>26,581</u>
Total capital assets, being depreciated	<u>765,814</u>	<u>20,296</u>		<u>786,110</u>
Less accumulated depreciation for:				
Buildings & improvements	( 83,440)			( 83,440)
Vehicles	( 5,371)			( 5,371)
Water distribution system	(313,546)	( 30,633)		(344,179)
Meters & connections	<u>( 26,581)</u>			<u>( 26,581)</u>
Total accumulated depreciation	<u>(428,938)</u>	<u>( 30,633)</u>		<u>(459,571)</u>
Total capital assets, being depreciated, net	<u>336,876</u>	<u>( 30,633)</u>		<u>326,539</u>
Business-type activities capital assets, net	<u>\$ 337,676</u>	<u>\$ ( 10,337)</u>	<u>\$</u>	<u>\$ 327,339</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public works	\$ 14,136
Public safety	<u>16,356</u>
Total depreciation expense- governmental activities	<u>\$ 30,492</u>
Business-type activities:	
Water	<u>\$ 30,633</u>
Total depreciation expense- business-type activities	<u>\$ 30,633</u>

**D. Interfund receivables, payables, and transfers**

Interfund transfers:

Transfer out:	Transfer In:		
	Major Street Fund	Local Street Fund	Total
Major Street Fund	\$ <u>          </u>	\$ 7,500	\$ 7,500
Total transfers in	\$ <u>          </u>	\$ 7,500	\$ 7,500

The composition of interfund balances as of February 28, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major street	Local street	\$ 7,500
Water	General	<u>11,500</u>
Total		<u>\$ 19,000</u>

**E. Long-term debt**

Revenue bonds

The Village issued bonds on May 1, 1983 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was \$175,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	7.125%	<u>\$ 103,281</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 6,000	\$ 7,359
2007	6,000	6,931
2008	6,000	6,504
2009	6,000	6,076
2010	6,000	5,649
2011-2015	31,000	21,831
2016-2017	35,000	10,026
2018-2019	7,281	520
Total	<u>\$ 103,281</u>	<u>\$ 64,896</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>				
Bonds payable:				
Revenue bonds	<u>\$ 109,281</u>	<u>\$ ( 6,000)</u>	<u>\$ 103,281</u>	<u>\$ 6,000</u>

General Obligation Bonds

The Village issued bonds on December 12, 2002 to be paid from the limited tax, full faith, credit and resources of the Village. The bonds were issued for pay for the cost of constructing and equipping a new fire hall, from the general funds of the Village. The original amount of the bond was \$200,000. General obligation bonds outstanding at year are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental funds	5.0934947%	<u>\$ 190,000</u>

General obligation debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 5,000	\$ 9,488
2007	5,000	9,200
2008	5,000	8,912



2009	5,000	8,638
2010	5,000	8,362
2011-2015	50,000	35,525
2016-2020	65,000	23,225
2021-2023	<u>50,000</u>	<u>5,475</u>
Total	<u>\$ 190,000</u>	<u>\$108,825</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
Bonds payable:				
General				
obligation				
bonds	<u>\$ 200,000</u>	<u>\$ 10,000</u>	<u>\$ 190,000</u>	<u>\$ 5,000</u>

**F. Segment information**

The Village issued revenue bonds on May 1, 1983 to help finance improvements to the Water Supply System consisting of water mains, wells, pumps, a 100,000 gallon elevated tank, water meters, together with all necessary attachments and appurtenances. Summary financial information for the water department is presented below.

**CONDENSED STATEMENT OF NET ASSETS**

**Assets:**

Current assets	\$ 23,478
Restricted assets	11,100
Capital assets	<u>327,339</u>
Total assets	<u>361,917</u>

**Liabilities:**

Current liabilities	8,453
Bonds payable-noncurrent	<u>97,281</u>
Total liabilities	<u>105,734</u>

**Net assets:**

Invested in capital assets, net of related debt	327,339
Restricted	11,100
Unrestricted	<u>( 82,256)</u>
Total net assets	<u>\$ 256,183</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Water charges (pledged against bonds)	\$ 41,912
Penalties & late charges	589
New service hookups	9,700
Rents	18,100
Depreciation expense	( 30,633)
Other operating expenses	( 46,784)
Operating income(loss)	( 7,116)
Nonoperating revenues(expenses):	
Investment earnings	435
Interest expense	( 7,430)
Change in net assets	( 14,111)
Beginning net assets	270,294
Ending net assets	<u>\$ 256,183</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:	
Operating activities	\$ 25,141
Noncapital financing activities	( 12,600)
Capital and related financing activities	( 33,868)
Investing activities	78
Net increase (decrease)	( 21,249)
Beginning cash and cash equivalents	28,007
Ending cash and cash equivalents	<u>\$ 6,758</u>

**G. Schedule of investment in capital assets**

Changes in the investment in capital assets(formerly contributed equity) in the enterprise fund type for the year ended February 28, 2005, consist of the following:

Balance - beginning	\$ 337,675
Deduct: Depreciation of assets purchased from contributed equity	( 10,336)
Balance - ending	<u>\$ 327,339</u>

**IV. Other information**

**A. Risk management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage. The Village has purchased commercial insurance for all other

risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

#### **B. Pension plan**

The Village elected to cover its employees under a pension plan through Municipal Retirement Systems, Inc. The election was effective on July 1, 1991 and was in lieu of coverage under the social security system. The plan is known as a Money Purchase Pension plan and the Village is required to contribute 50% of the cost for each employee. The Village contributed \$2,970 during the fiscal year ended February 28, 2005.

Eligibility:	Minimum Age: 18 Maximum Age: 75 Years of Service: 0
Contribution Formula:	The Employer contributes 6.0% of the Employee's annual compensation; Employee contributes 6.0% of his/her annual compensation.
Optional Past Service:	The Employer contributes 3.0% of the Employee's current annual compensation for each eligible year of past service up to a maximum of 10 years.
Ownership of Funds:	Vesting (ownership) is 100% immediate. All funds deposited belong to the Employee in the event of death, disability, retirement or job severance.  Includes contributions for future and past service and funds transferred from another plan.
Retirement Benefit:	Life and Ten Year Certain Annuity. Guarantees you a monthly check for <u>as long as you live</u> ; and also in case of your death, continues payments to your beneficiary until a combined sum of 120 payments have been made to you and your beneficiary. Other options are available.
Funding Vehicle:	Flexible Premium Annuity.

Insurance Company: USG Annuity and Life Company, a subsidiary of The Equitable Life of Iowa.

Interest Rate: Current rate plus 'bonus' interest equals 8.1%.

Normal Retirement Date: At age 65, or if age 61 or older at entry, at the completion of five years of plan participation.

Plan Expenses:

Participant Fees	- None
Sales Charges	- None
Asset Charges	- None
Administration Fee	- \$100 annually

**C. Implementation of new accounting standard**

As of and for the year ended February 28, 2005, the Village implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

**D. Prior period adjustments**

Major Street Fund

To adjust the amount due from the State of Michigan for Act 51 monies as of February 29, 2004.

\$ 340

Local Street Fund

To adjust the amount due from the State of Michigan for Act 51 monies as of February 29, 2004.

\$ 301

Required Supplementary Information

Village of Buckley  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes and related fees	\$ 77,500	\$ 77,500	\$ 91,695	\$ 14,195
Licenses and fees	1,750	1,750	1,584	( 166)
State aid	62,500	62,500	50,809	( 11,691)
Contributions from local units	15,000	15,000	15,925	925
Interest earnings	750	750	385	( 365)
Equipment rents	32,000	32,000	22,683	( 9,317)
Reimbursements	<u>30,000</u>	<u>30,000</u>	<u>26,275</u>	<u>( 3,725)</u>
Total revenues	<u>219,500</u>	<u>219,500</u>	<u>209,356</u>	<u>( 10,144)</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Village council	<u>25,000</u>	<u>25,000</u>	<u>20,754</u>	<u>4,246</u>
General government:				
President	1,750	1,750	1,540	210
Elections	2,125	2,125	1,276	849
General administrative	10,750	10,750	10,411	339
Clerk	9,225	9,225	8,895	330
Treasurer	<u>7,000</u>	<u>7,000</u>	<u>6,390</u>	<u>610</u>
Total general government	<u>30,850</u>	<u>30,850</u>	<u>28,512</u>	<u>2,338</u>
Public safety:				
Fire:				
Wages	7,100	7,100	4,800	2,300
Operating supplies	7,500	7,500	8,909	( 1,409)
Gas & oil	2,000	2,000	654	1,346
Insurance	8,000	8,000	9,622	( 1,622)
Utilities	12,500	12,500	9,895	2,605
Education & training	2,000	2,000	1,171	829
Hydrant rental	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	
Total public safety	<u>50,600</u>	<u>50,600</u>	<u>46,551</u>	<u>4,049</u>

Village of Buckley  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES (CONTINUED):</b>				
Current:				
Public works:				
DPW:				
Salaries	35,500	35,500	30,380	5,120
Fringe benefits	5,500	5,500	2,970	2,530
Supplies	7,500	7,500	14,711	( 7,211)
Gas and oil	1,500	1,500	651	849
Insurance	14,500	14,500	13,147	1,353
Utilities	<u>2,450</u>	<u>2,450</u>	<u>3,747</u>	<u>( 1,297)</u>
Total DPW	<u>66,950</u>	<u>66,950</u>	<u>65,606</u>	<u>1,344</u>
Street lighting	<u>12,500</u>	<u>12,500</u>	<u>10,085</u>	<u>2,415</u>
Total public works	<u>79,450</u>	<u>79,450</u>	<u>75,691</u>	<u>3,759</u>
Community/economic development:				
Planning commission	<u>2,500</u>	<u>2,500</u>	<u>3,310</u>	<u>( 810)</u>
Recreation & culture:				
Parks & recreation	<u>12,000</u>	<u>12,000</u>	<u>1,968</u>	<u>10,032</u>
Debt payments:				
Principal & interest	<u>12,000</u>	<u>12,000</u>	<u>25,056</u>	<u>( 13,056)</u>
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>38,700</u>	<u>( 33,700)</u>
Total expenditures	<u>217,400</u>	<u>217,400</u>	<u>240,542</u>	<u>( 23,142)</u>
Net change in fund balances	2,100	2,100	( 31,186)	( 33,286)
Fund balances-beginning	<u>65,827</u>	<u>65,827</u>	<u>96,785</u>	<u>30,958</u>
Fund balances-ending	<u>\$ 67,927</u>	<u>\$ 67,927</u>	<u>\$ 65,599</u>	<u>\$ ( 2,328)</u>

See notes to financial statements

Village of Buckley  
Major Street Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
State aid	\$ 45,000	\$ 45,000	\$ 43,881	\$ ( 1,119)
Interest earnings	<u>250</u>	<u>250</u>	<u>138</u>	<u>( 112)</u>
Total revenues	<u>45,250</u>	<u>45,250</u>	<u>44,019</u>	<u>( 1,231)</u>
<b>EXPENDITURES</b>				
Public works:				
Routine maintenance	<u>54,500</u>	<u>54,500</u>	<u>50,373</u>	<u>4,127</u>
Total expenditures	<u>54,500</u>	<u>54,500</u>	<u>50,373</u>	<u>4,127</u>
Excess (deficiency) of revenues over (under) expenditures	( 9,250)	( 9,250)	( 6,354)	2,896
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>( 7,500)</u>	<u>( 7,500)</u>	<u>( 7,500)</u>	
Net change in fund balances	( 16,750)	( 16,750)	( 13,854)	2,896
Prior period adjustment			340	340
Fund balances- beginning	<u>41,287</u>	<u>41,287</u>	<u>40,332</u>	<u>( 955)</u>
Fund balances- ending	<u>\$ 24,537</u>	<u>\$ 24,537</u>	<u>\$ 26,818</u>	<u>\$ 2,281</u>

See notes to financial statements



Village of Buckley  
Local Street Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
State aid	\$ 17,500	\$ 17,500	\$ 17,690	\$ 190
Interest earnings	<u>100</u>	<u>100</u>	<u>36</u>	<u>( 64)</u>
Total revenues	<u>17,600</u>	<u>17,600</u>	<u>17,726</u>	<u>126</u>
<b>EXPENDITURES</b>				
Public works:				
Routine maintenance	<u>39,500</u>	<u>39,500</u>	<u>33,163</u>	<u>6,337</u>
Total expenditures	<u>39,500</u>	<u>39,500</u>	<u>33,163</u>	<u>6,337</u>
Excess (deficiency) of revenues over (under) expenditures	(21,900)	( 21,900)	(15,437)	6,463
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>17,500</u>	<u>17,500</u>	<u>7,500</u>	<u>(10,000)</u>
Net change in fund balances	( 4,400)	( 4,400)	( 7,937)	( 3,537)
Prior period adjustment			301	301
Fund balances- beginning	<u>8,990</u>	<u>8,990</u>	<u>10,613</u>	<u>1,623</u>
Fund balances- ending	<u>\$ 4,590</u>	<u>\$ 4,590</u>	<u>\$ 2,977</u>	<u>\$ ( 1,613)</u>

See notes to financial statements

**Barry E. Gaudette, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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Members of the Village Council  
Village of Buckley  
Buckley, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comments are based on observations made during the course of our examination for the year ended February 28, 2005, and requirements of the Farmers Home Administration USDA's audit guide.

Internal Control

An evaluation was made of the system of internal control. Some of the internal controls include the use of software for the collection of water receipts, prenumbered receipts, the bank reconciliation is done by the treasurer and checked by the clerk, the general ledger is prepared by the clerk, check disbursements are signed and approved by the treasurer and clerk, and the council approves all disbursements.

Chart of Accounts

The Village uses the State of Michigan uniform chart of accounts.

Control over Assets

The Village has adequate physical control over its assets. The assets are being recorded as purchased in their funds, thus maintaining accounting control of the assets.

Loan Agreements

The Village appears to be in compliance with loan agreements, including the maintenance of cash reserves.

Accounting Records

The financial reports included in the audit are in agreement with the Village's accounting records.

Cash and Cash Equivalents

At year end, the carrying amount of the Village's deposits were \$94,672 and the bank balance was \$98,574. Of the bank balance, \$98,574 was covered by Federal Deposit Insurance Corporation (FDIC). There were no Village funds uninsured at February 28, 2005.

Bond and Insurance Policies

Bond and insurance policies were examined. The Village reviews it insurance coverage on an annual basis.

Bond Requirements

As of February 28, 2005, the Village is in compliance with the requirements set forth for the water system's bonds.

Income Tax Status

The Village is exempt from federal income tax.

Aging of Accounts Receivable

Water accounts are billed monthly. An aging of the accounts receivable is as follows:

<u>Fund</u>	<u>Total</u>	<u>Over 90 Days</u>
Water	\$ 1,760	\$ 1,760

Cash Flows

The water fund cash flow in the last two years has been negative, but with a recent increase in water rates and more users, the fund's cash flows should improve.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, the Michigan Department of Treasury and USDA and should not be used for any other purpose.

*Bary E. Vandell, PA, PC*

August 26, 2005